

**Transcript of Opening Statement by Senator Kent Conrad (D-ND)  
at Senate Finance Committee Mark-up of Tax Bill  
May 8, 2003**

Let me first say how much we appreciate the way you have conducted the business of this committee. Your willingness to reach out to all of us for our ideas and, unfortunately, we weren't able to agree at the conclusion, but I do appreciate very much the way you have conducted the Chairmanship of this Committee. We couldn't have asked for more fair treatment and more inclusiveness in terms of reaching out to members of the Committee.

Let me follow that by saying, I profoundly disagree with this package. I profoundly disagree with the direction that we're taking in the fiscal affairs of this country. I believe this package is ineffective as a stimulus. I believe it is irresponsible in terms of the fiscal affairs of the nation. And I believe it is unfair in that it is heavily weighted to the wealthiest among us.

First of all, I believe Congress is now increasingly disconnected from reality as we approach the most important fiscal decisions for the country's future. The tax cuts that are being discussed here are not \$350 billion or \$550 billion as the media has reported over, and over, and over. The tax cuts that are authorized in this budget are \$1.3 trillion -- that's what's authorized in the Senate, that's what's authorized in the House -- \$1.3 trillion of tax cuts, and that's in the context of massive federal budget deficits. The deficit this year is now estimated, at an operating basis, to be between \$500 and \$600 billion dollars. That is the largest budget deficit we have ever had. In fact, we don't see the deficits below \$300 billion, on an operating basis, the rest of this decade.

Now we see, the latest news from the Treasury Department, which I share with my colleagues - and this is numbers just in, revenue this year, in the first seven months, is running \$100 billion below the forecasts. If this trend continues the rest of the year, revenue as a percentage of our gross domestic product will be the lowest since 1959. You'll recall two years ago when revenue was at 20.8%, which was the highest it had been in 40 years, the President said we've got to cut taxes because revenue is too high as a percentage of gross domestic product. Now, when we are headed for the lowest level of revenue as a percentage of gross domestic product, he says cut taxes again. I don't think this is a consistent approach or one that can withstand much scrutiny.

Chairman Greenspan has warned us that these large additional tax cuts will drive us deeper into deficit and that the dead-weight of those deficits and debt will actually hurt our long-term economic growth.

I don't believe this is an "economic growth package." I believe this is a package that will hurt long-term economic growth. Why? Because it's exploding deficits and debt. That additional deficit, that additional debt, will reduce the pool of societal savings, that will reduce the money available for investment and you've got to have investment to grow.

Next, I think this plan is ineffective with respect to stimulus. If we look at the three plans

before us we can see that Senator Daschle's plan has much more stimulus in this first year - \$125 billion, then the plan before us, which has only \$46 billion of stimulus in this year. The House plan has \$48 billion of stimulus this year. It makes no earthly sense to me. The economy is weak now -- this is when we ought to be giving it a boost. Senator Daschle's plan gives about three times as much lift to the economy now as does the plan before us. And yet it does it without the dramatic increase to deficits that are contained in this plan and the House plan.

Let me just go to the next slide on why I believe this is such a serious moment for us. This looks at the Social Security Trust Fund, the Medicare Trust Fund and the tax cut. The blue part of the bar - the Medicare Trust Fund, the green - the Social Security Trust Fund, the red are the tax cuts. What it shows us very clearly is the tax cut cost explodes at the very time the cost to the Federal government of the retirement of the Baby Boom generation explodes. Leaving us with utterly unsustainable deficits and debt. This is not just irresponsible, in my judgement, it is profoundly irresponsible.

Finally, I'd say to my colleagues, I believe the tax cut packages that we have before us are unfair. They are unfair because the distribution is heavily weighted to the wealthiest among us. Let me just say, looking at the President's package and the House package, because we don't have a score of the Chairman's package that's before us, the President's package would give to the middle 20% of taxpayers, on average, \$227 dollars of benefit, to those with incomes of over a million dollars it would give a benefit of over \$89,509 in one year. The House package is even more skewed to the wealthiest among us, giving the middle 20% of taxpayers a benefit of \$217 on average, giving taxpayers with income of over a million dollars a tax reduction of over \$93,000 in 2003 alone.

So for those reasons, Mr. Chairman, I believe this plan is ineffective as stimulus, irresponsible in terms of fiscal policy, and ultimately unfair in the distribution of its benefits.